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中國華融資產管理股份有限公司

China Huarong Asset Management Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 2799)

SUPPLEMENTAL ANNOUNCEMENT OF RELEVANT MATTERS ON HUARONG SECURITIES EQUITY TRANSFER

Introduction

References are made to the announcements of the Company dated 29 September 2021, 21 October 2021, 3 December 2021 and 27 January 2022, and the supplemental circular of 2020 annual general meeting dated 4 October 2021 and the supplemental circular of 2022 first extraordinary general meeting of Shareholders dated 11 March 2022 in relation to, among other things, the relevant matters on the Company's proposed transfer of 4,204,743,639 shares (71.99% equity) held in Huarong Securities to external parties by way of public listing ("**Transfer**"). Unless the context otherwise requires, the terms used in this announcement shall have the same meaning as those defined in the above announcement. The purpose of this announcement is to provide supplemental information to the Shareholders and potential investors of the Company with respect to relevant matters on the transfer of equity interests in Huarong Securities.

The Transfers

The Company intends to transfer its 4,204,743,639 shares (71.99% equity) held in Huarong Securities to China Reform Capital, and transfer the Target Shares in the Partnership at the same time. The aggregate consideration of the transfer is RMB10,932,980,500.

Huarong Securities is a joint stock limited liability company incorporated in the PRC and is principally engaged in securities brokerage, securities investment consulting, financial consulting relating to securities trade and securities investment, securities underwriting and sponsorship, proprietary trading of securities, securities asset management, margin trading and securities lending, proxy sale of financial products and securities investment funds business. As of the date of this announcement, the Company holds 71.99% equity interests in Huarong Securities, which is a non-wholly-owned subsidiary of the Company.

The net assets attributable to the parent company of Huarong Securities on 30 September 2021, as audited in accordance with China Accounting Standards for Business Enterprises, are approximately RMB10,057,602,500. Set out below are the key financial data of Huarong Securities for the two financial years ended 31 December 2019 and 2020 and the period ended 30 September 2021, which have been prepared in accordance with China Accounting Standards for Business Enterprises:

	For the financial year ended 31 December 2019 <i>RMB'0000</i>	For the financial year ended 31 December 2020 <i>RMB'0000</i>	For the nine months ended 30 September 2021 <i>RMB'0000</i>
Profit/(Loss) before tax	3,608.20	(815,362.41)	9,098.83
Profit/(Loss) after tax	4,699.06	(823,545.22)	8,586.18

The Partnership is a limited partnership established in the PRC controlled by the Company and is currently responsible for the management and disposal of certain existing assets of Huarong Securities. The unaudited financial information of the Partnership is set out below:

	<i>RMB'000</i>		
	For the financial year ended 31 December		
	2019	2020	2021
Profit/(Loss) before tax	(799.6)	403,285.6	(6,324,268.3)
Profit/(Loss) after tax	(799.6)	403,285.6	(6,324,268.3)

The net assets attributable to the parent company of the Partnership on 31 December 2021 was approximately RMB3.85 billion (unaudited).

The Target Shares constitute subordinated shares of the Partnership. Pursuant to the partnership agreement of the Partnership, subordinated partners shall not be entitled to and have no right to any cash dividend distribution of the Partnership and/or distribution in the Partnership's liquidation. Therefore, holder of the Target Shares shall not receive any distribution even if the Partnership is profitable and make any cash dividend distribution and/or distribution in its liquidation. As such, there is no value with respect to the Target Shares. After communication with the relevant regulatory bodies, the Target Shares, together with the 71.99% equity interests in Huarong Securities as a package deal of the transaction, are transferred to China Reform Capital.

Consideration and Payment

Based on the evaluated value filed, the aggregate consideration of the Transfer (and including the transfer of the Target Shares) is RMB10,932,980,500.

The Company has selected China United Assets as the asset valuation institution, and the asset valuation has been completed and reported to the MOF for record. With 30 September 2021 as the valuation benchmark date, the evaluated value (evaluated through the market approach) of 71.99%

of shares in Huarong Securities is RMB10,932,980,500. The Company's initial listing price on the CFAE is the valuation results filed with the MOF. Pursuant to the Management Rules of Transfer of State-Owned Assets by Financial Institutions (Ministry of Finance 2009 No. 54), in a public listing, the final price of the Transfer shall be determined by public bidding if there are two or more intended transferees, or as agreed between the parties (but no less than the listing price) if there is only one intended transferee. As only one qualified intended transferee (being China Reform Capital) was identified upon completion of the public listing on CFAE, no public bidding was held and the consideration for the Transfer shall be the listing price, being RMB10,932,980,500.

Upon the effectiveness of the relevant contract, China Reform Capital will transfer the paid deposits of RMB1,639,947,100 (being 15% of the transfer price) into part of transfer price according to the requirements of the Company and the CFAE. China Reform Capital shall remit the remaining transfer price (excluding the deposits) in one lump sum to the settlement account designated by the CFAE within five business days upon the effectiveness of the relevant contract, inform the Company of the completion for the fully paid transfer price on the remittance day in written notice and provide the remittance receipt to the Company.

The CFAE shall allot all the transfer price (including the deposits and remaining transfer price) to the bank account designated by the Company within three business days upon receiving the whole transfer price (including the deposits and remaining transfer price) paid by China Reform Capital.

The Financial Impact of the Transaction

As at the date of this announcement, Huarong Securities is a direct non-wholly-owned subsidiary of the Company, and its financial results and financial position are consolidated into the Company's financial statements. Immediately following the Closing Date, the Group will cease to have any interest in Huarong Securities and Huarong Securities will no longer be a subsidiary of the Group. Therefore, the financial results and financial position of Huarong Securities will cease to be consolidated into the Company's financial statements upon the Closing Date. On the other hand, the Partnership will continue to be controlled by the Company.

Based on preliminary assessment, it is estimated that the Company will recognise from the transfer of 71.99% equity interests in Huarong Securities and transfer of the Target Shares an unaudited profit after tax of approximately RMB2,412 million, which equals to the following (1) – (2) + (3) – (4) representing:

- 1) the total consideration of the Transfer;
- 2) proportion of net assets of Huarong Securities attributable to the Company as at 31 December 2021;
- 3) proportion of other comprehensive income related to equity investment in Huarong Securities reclassified to profit or loss for the period when the Company lost control thereof as at 31 December 2021;
- 4) estimated taxation to be provided based on consideration and initial investment cost respectively.

Assuming that the disposals had taken place as at 31 December 2021, upon the Closing Date, the Group's total assets and total liabilities will therefore decrease by approximately RMB37,558 million and RMB37,093 million, respectively, as a result of the transfer of 71.99% equity interests in Huarong Securities and transfer of the Target Shares. Assuming that the disposals had completed settlement as at 1 January 2021, the net profit attributable to the Shareholders of the Company in 2021 would be expected to decrease by RMB138 million, without taking into account the impact on profit and loss resulting from the disposal of equity in Huarong Securities.

The financial impact of the disposals on the Company is subject to final audit by the Company's auditor upon completion of the transfer of 71.99% equity interests in Huarong Securities and transfer of the Target Shares.

Upon the Closing Date, the proceeds from the Transfer will be used to replenish the Company's capital and general working capital.

The completion of the Transfer and the transactions contemplated thereunder are subject to approval by the CSRC and the Shareholders. Therefore, the Transfer may or may not proceed. In addition, the net profit that may be generated from the Transfer is preliminary estimation, and the actual net profit shall be subject to the audited financial data of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Huarong Asset Management Co., Ltd.
WANG Zhanfeng
Chairman

Beijing, the PRC
10 March 2022

As at the date of this announcement, the Board comprises Mr. WANG Zhanfeng, Mr. LIANG Qiang and Mr. WANG Wenjie as executive Directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping and Mr. ZHOU Langlang as non-executive Directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive Directors.